

**PUBLIC DISCLOSURE**

**November 19, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**METRO CREDIT UNION**

**66364**

**200 REVERE BEACH PARKWAY**

**CHELSEA, MA 02150**

**DIVISION OF BANKS**

**1000 WASHINGTON STREET, 10th Floor**

**BOSTON, MA 02118**

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks (the "Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **METRO CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

**INSTITUTION'S CRA RATING:** This institution is rated "High Satisfactory." An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Credit Union was examined utilizing Intermediate Small Institution CRA procedures specified for institutions with assets under \$1.16 billion but over \$290 million. The loan data considered for this evaluation consisted of residential mortgages as reported under the Home Mortgage Disclosure Act ("HMDA") for 2010 and 2011. Aggregate loan data for 2011 was also included. The Credit Union's Community Development performance is based upon the Credit Union's community development services and investments from September 20, 2009 through November 19, 2012.

The rating for this institution was established upon a review of the Lending Test and the Community Development Test, as shown in the public evaluation. The Credit Union achieved a "Satisfactory" under the Lending Test and a "High Satisfactory" under the Community Development Test and the overall rating is "High Satisfactory". A summary of the Credit Union's performance is provided below.

### **Lending Test**

- The Credit Union's net loan-to-share (LTS) ratio for the previous eight quarters was 90.5 percent and is considered excellent given the Credit Union's size, financial condition, and the credit needs of its assessment
- Lending activity within the Credit Union's assessment area is adequate as 62.6 percent of its HMDA reportable originations were within its assessment area.
- The distribution of loans among members of different income reflects a good penetration.
- The geographic distribution of the Credit Union's HMDA reportable loans reflects a reasonable dispersion throughout the assessment area, including low- and moderate-income geographies.
- There were no fair lending issues identified and no complaints were received by the Credit Union since the previous examination.

## **Community Development Test**

- During the current evaluation period, the Credit Union made seven qualified community development loans inside the assessment area totaling \$7.2 million reflecting a good response to community needs. The Credit Union's activities were targeted to affordable housing and low- and moderate-income community service organizations.
- The Credit Union made qualified investments in the form of donations totaling \$136,599.
- The level of the Credit Union's community development services is strong and demonstrates their efforts in providing services in their assessment area. Metro Credit Union, through its officers and employees, provided support to several qualified community development organizations in the assessment area.

## **SCOPE OF EXAMINATION**

The Credit Union was evaluated under the Intermediate Small Institution procedures. Based upon the loan distribution as well as primary business focus of the institution, the data considered for this evaluation consisted of residential mortgages as reported under the Home Mortgage Disclosure Act (“HMDA”) Loan Application Register (“LAR”) for 2010 and 2011. The first three quarters of 2012 HMDA were also included in narrative for trend purposes. Demographic data of the assessment area is compared to the lending performance for both years. Additionally, aggregate loan data for 2011 was included for comparison to lending performance of the same year. Emphasis was placed on the number of loans made rather than the dollar volume, as loans made in low- and moderate-income census tracts, or to low and moderate-income individuals are typically lower in dollar amount than those made in middle and upper-income census tracts and to middle and upper-income individuals, and this possible discrepancy could impact the overall analysis.

In addition to residential data, consumer auto lending performance was reviewed, as it represented a significant portion of the loan portfolio. Samples for the years 2011 and 2012 were compared to demographics of the assessment area.

The Credit Union’s Community Development activity from September 20, 2009 through November 19, 2012 was evaluated. The evaluation consisted of a review of the Credit Union’s qualified loans, investments (including grants and donations), and community development services.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Metro Credit Union is a community credit union, incorporated under the laws of the Commonwealth of Massachusetts in 1926. Membership is open to people and organizations in the Suffolk, Plymouth, Middlesex, Norfolk, Worcester, Barnstable and Essex Counties. The Credit Union is headquartered at 200 Revere Beach Parkway Chelsea, Massachusetts and operates 13 other full-service offices located in Boston (4 branches), Chelsea, Burlington, Framingham, Lynn, Lawrence, Peabody, Salem, Melrose, and Tewksbury. The Credit Union also operates two high school branches in Chelsea and Peabody. The Credit Union has Automated Teller Machines (ATMs) located at all of its full service offices. All full service offices maintain hours that are reasonably accessible for the members of the Credit Union.

The Credit Union offers a variety of products including various checking and savings accounts, first and second mortgages, home equity lines of credit, auto loans, student loans, as well as credit card products. The Credit Union’s homepage, [www.metrocu.org](http://www.metrocu.org), offers 24-hour online services, which allows members to check balances, review account history, make bill payments, transfer funds between accounts and fill out Credit Union applications for consumer and mortgage loans. Additionally, the Credit Union uses an online financial planning toolkit which can aggregate members’ accounts, investments and bills. The Credit Union provides similar savings and loan products to local businesses.

Since the last examination, the Credit Union has merged with University Credit Union (April 2011), Secure Credit Union (November 2011), and Massachusetts State Employees Credit Union

(September 2012). The Credit Union has closed two branches, one in Swampscott and another in the City of Boston, in upper and middle-income census tracts, respectively. Six branches were opened since the previous evaluation in the municipalities of Boston (4), Salem, and Melrose. A Boston branch and the Melrose branch are located in moderate income census tracts. A Boston branch and the Salem Branch were opened in middle-income census tracts. The two remaining Boston branches were opened in upper-income census tracts.

As of September 30, 2012, the Credit Union's asset size was \$1.1 billion. Total loans amounted to \$823.3 million or 74.4 percent of total assets. First mortgage loans represent the largest portion of loans at 41.2 percent, followed by other real estate loans at 26.2 percent.

Refer to the table below for the distribution of the Credit Union's loan portfolio.

<b>Table 1 Metro Credit Union Loan Portfolio Distribution</b>		
<b>Loan Type</b>	<b>Dollar (\$) Volume (000s)</b>	<b>Percentage (%) of Total Loans</b>
Unsecured Credit Card Loans	37,759,498	4.6%
All Other Unsecured Loans/Lines of Credit	38,359,012	4.7%
New Vehicle Loans	108,917,455	13.2%
Used Vehicle Loans	76,829,357	9.3%
Total 1 <sup>st</sup> Mortgage Real Estate Loans/Line of Credit	339,358,379	41.2%
Total Other Real Estate Loans/Lines of Credit	215,431,100	26.2%
Total All Other Loans/Lines of Credit	6,694,035	0.8%
<b>Total</b>	<b>823,348,836</b>	<b>100.0%</b>

*\*Source: 5300 Report, Statement of Financial Condition as of September 30, 2012.*

The Credit Union's CRA performance was last evaluated by the Division on September 20, 2009. The examination resulted in an overall rating of "High Satisfactory."

There are no apparent financial or legal impediments limiting the Credit Union's ability to help meet the credit needs of its assessment area. Based on the Credit Union's asset size, financial condition, product offerings, and branch network, the Credit Union's ability to meet the area's credit needs is good.

### **Description of Assessment Area**

The CRA requires a financial institution to define one or more assessment areas within which its record of helping to meet the credit needs is evaluated. Metro Credit Union's assessment area has changed since the last CRA Performance Evaluation conducted on September 20, 2009. It is currently comprised of 544 census tracts; all of which are located in Massachusetts. In total, the assessment area includes 48 cities and towns located in four counties and three Metropolitan District Areas (MDAs). The cities of Boston, Chelsea, Revere, and Winthrop comprise Suffolk County. The cities and towns of Andover, Beverly, Danvers, Haverhill, Lawrence, Lynn, Lynnfield, Marblehead, Methuen, Nahant, North Andover, Peabody, Salem, Saugus, and Swampscott are in Essex County. The cities and towns of Arlington, Ashland, Bedford, Belmont, Billerica, Burlington, Cambridge, Everett, Framingham, Lexington, Lowell, Malden, Medford, Melrose, Natick, Newton, North Reading, Reading, Somerville, Stoneham, Tewksbury, Wakefield, Waltham, Watertown, Wilmington, Winchester, and Woburn are located in Middlesex County. The towns of Wellesley and Brookline are located in Norfolk County.

Ashland, Bedford, Boston, Brookline, Haverhill, Lexington, Lowell, North Andover, and Waltham were added to the assessment area in 2011. Therefore, 2010 and 2011 lending data were compared to different demographics.

### **Demographic and Economic Data**

The Credit Union's 544 census tracts are comprised of 65 low-income census tracts, 166 moderate-income census tracts, 215 middle-income census tracts, and 97 upper-income census tracts. There is one census tract which is comprised of the Deer Island Treatment Plant and has no applicable income characteristic. The table below provides demographic information on the Credit Union's assessment area.

Table 2 Assessment Area Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA
Geographies (Census Tracts)	544	12.0	30.5	39.5	17.8	0.2
Population by Geography	2,440,789	8.9	31.4	41.1	18.6	0.0
Owner-Occupied Housing by Geography	487,399	2.7	21.2	50.8	25.3	0.0
Family Distribution by Income Level	569,383	25.1	18.7	21.5	34.7	0.0
Household Distribution by Income Level	958,265	27.8	16.3	18	37.9	0.0
Household Distribution by Geography	958,265	7.9	30.9	42.2	19.0	0.0
Low- and Moderate-Income Family Distribution by Geography	249,336	14.3	40.9	35.8	9.0	0.0
HUD Adjusted Median Family Income for 2011 Families Below Poverty Level		\$94,648 11.5%	Median Housing Value (2011) Avg Unemployment Rate ( BLS)		\$240,908  6.8%	
Source: 2000 US Census, 2011 HUD updated Median Family Income, Bureau of Labor Statistics						

Based on the 2000 Census data, the Credit Union's assessment area has a total population of 2.4 million people. There are 958,265 households, of which 569,383 are families. Additionally, 487,399 owner-occupied housing units are present within the assessment area with the majority of the units in middle-income census tracts at 50.8 percent followed by upper-income tracts at 25.3 percent.

### **Median Family Income Levels**

According to 2000 Census data the assessment area contains 569,383 total families. The HUD adjusted Median Family Income ("MFI") for the Cambridge-Newton-Framingham MSA contains the majority of its cities and towns within its assessment area were \$92,760 in 2010 and \$94,648 in 2011. Using data collected during the 2000 Census, the breakout of families by income level is as follows: 25.1 percent are low-income, 18.7 percent are moderate-income, 21.5 percent are middle-income, and 34.7 percent are upper-income. Approximately, 11.5 percent of families are below the poverty level.

## **Housing Characteristics**

Housing units within the assessment area total 991,732, of which 487,399 or 49.1 percent are owner-occupied, and 470,634 or 47.5 percent are occupied rental units while 33,699 or 3.4 percent are vacant. Of the owner-occupied units within the assessment area, 2.7 percent are located in low-income census tracts, 21.2 percent are in moderate-income census tracts, 50.8 percent are in middle-income tracts, and 25.3 percent are in upper-income tracts.

Sale prices within the assessment area have remained fairly consistent during the evaluation period, ranging between an average median home sales price of \$374,000 and \$380,000. During the evaluation period the median home sales price ranged from a low of \$157,500 in Lawrence to a high of \$856,000 in Wellesley.

## **Competition**

In 2011, 553 lenders, which included large regional and national banks and mortgage companies, originated 114,896 residential mortgage loans within the assessment area. Metro Credit Union faces significant competition within the assessment area.

## **Economy/Employment**

According to data as of December 2012 from the Bureau of Labor Statistics, the average unemployment rate within the assessment area during the evaluation period was 6.8 percent. State level unemployment over the same period was approximately 7.4 percent, from which it can be derived that the area has a moderate level of unemployment relative to the rest of the state.

## **Community Contact**

Two community contacts were conducted for this examination, one in Essex County and the other in Suffolk County. Both contacts stressed the need for affordable housing and home loans for low- and moderate-income members of the community. The first contact explained that the quality of housing is in need of renovation, and poor housing quality has resulted in other social costs. Financial literacy for youths is also needed. This contact was pleased with the performance of financial institutions located within Essex County, however, this individual would still like to see more revitalization projects undertaken. The Suffolk County contact identified the need for housing and economic development projects. The shifting demographics of unemployed and near homeless individuals require more funding for social programs in support of low- and moderate-income individuals. Overall, the organization would like to see more financial institutions take initiative in jumpstarting the local economy through credit building programs, job training, local hiring and more flexible lending to small businesses and low-income individuals. The contact stated that he sees very little activity from all area financial institutions, though he acknowledged that other institutions have had success collaborating with Metro Credit Union. Regardless, there is a vast need for improvement in the involvement of financial institutions.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

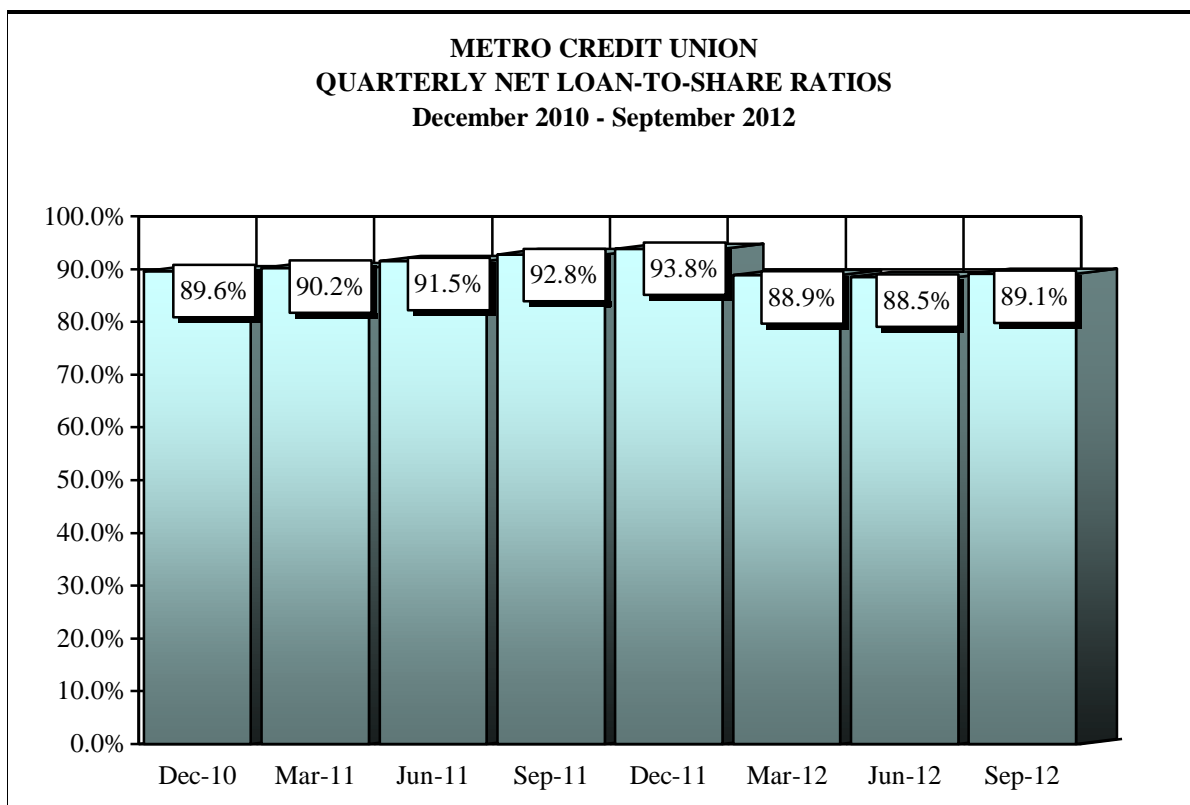
### **LENDING TEST**

The Lending Test considers the institution's home mortgage lending pursuant to the following criteria: LTS ratio; lending inside/outside the assessment area; lending to borrowers of different incomes; geographic distribution; and the record of taking action in response to CRA complaints.

#### **1. LOAN TO SHARE ANALYSIS**

A comparative analysis of the Credit Union's quarterly net loan-to-share ratios was conducted for the period of December 31, 2010 through September 30, 2012. The average net loan-to-share ratio for this period was 90.5 percent and was considered excellent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The ratio was calculated from information contained in the Reports of Condition and Income for the previous eight quarters.

As shown in the graph below, the Credit Union's net loan-to-share ratio has remained relatively steady with small fluctuations from a high of 93.8 percent in December 2011 to a low of 88.5 percent in June 2012. The amount of loans has grown correspondingly with shares over the past eight quarters, with increases of 32.1 and 32.4 percent, respectively.



For comparative purposes, the Credit Union's average net loan to share ratio was compared to the average net loan-to-share ratio of two similarly situated institutions as of September 30, 2012.

<b>Table 3</b> <b>Loan to Shares Ratios</b>		
Institution	Average LTS Ratio (%)	Assets as of September 30, 2012 (000s)
<i>Metro Credit Union</i>	90.5	<i>\$1,107,161</i>
St. Mary's Credit Union	73.7	\$601,309
Jeanne D'Arc Credit Union	63.2	\$976,925

Based on the aforementioned information, the Credit Union's asset size and resources, and the credit needs of its members, the Credit Union's net loan-to-shares ratio is excellent.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion measures the percentage of the Credit Union's lending that benefits the assessment area's members and evaluates the adequacy of such lending.

The Credit Union's 2010 and 2011 HMDA LARs were reviewed to determine the number of loans as well as the amount of credit extended within the Credit Union's assessment area. Additionally, 50 indirect auto loans were reviewed for 2011 as a sample. During this period, the Credit Union originated a total of 1,899 loans totaling approximately \$418.5 million. Of these loans, 1,173 or 61.8 percent by number and \$273,992,000 or 65.5 percent by dollar amount were originated inside the Credit Union's assessment area.

Refer to the table below for additional information regarding the Credit Union's HMDA reportable lending, by both number and dollar volume.

Table 4										
Distribution of HMDA and Indirect Auto Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Lending										
2010	568	59.5	387	40.5	955	113,768	60.2	75,069	39.8	188,837
2011	589	65.9	305	34.1	894	159,900	70.0	68,634	30.0	228,534
Total	1,157	62.6	692	37.4	1,849	273,668	65.6	143,703	34.4	417,371
Auto Lending Sample										
2011	16	32.0	34	68.0	50	324	27.9	838	72.1	1,162
Total	1,173	61.8	726	38.2	1,899	273,992	65.5	144,541	34.5	418,533

*Source: 2010 and 2011 HMDA LARs, Credit Union Indirect Auto Loan data, and PCI, CRA WIZ Data*

### *Residential Lending*

As indicated in the table above, a majority of the Credit Union's loans originated during the examination period were inside the Credit Union's assessment area. The number and dollar amount of loans increased within the assessment area from 2010 to 2011, and had a corresponding increase in the proportion of loans distributed within the assessment area (59.5 percent to 65.9 percent). The Credit Union's performance for the first three quarters of 2012 was comparable at 65.4 percent of loans originated within the assessment area by number and 66.6 percent by dollar amount.

### *Indirect Auto Lending*

A sample of 50 automobile loans from 2011 originated by the Credit Union indicated that 32% of the loans were originated inside of the assessment area. By number, 68 percent of the loans were originated outside of the assessment area. A sample of loans from the first three quarters of 2012 was also reviewed, and a larger proportion (but still a minority percentage) of loans were originated within the assessment area at 48 percent. While only a sample, the Credit Union does receive applications from 200 dealers throughout the seven counties which comprise the membership area (as opposed to the 4 counties covered by the assessment area). Based upon the Credit Union's business structure, this is deemed adequate performance for the auto lending area.

Based on the above information, a majority of the Credit Union's home mortgage and automobile loans originated during the examination period were inside the Credit Union's assessment area.

### **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The Credit Union's HMDA-reportable and automobile loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston-Quincy (MSA), the Cambridge-Newton-Framingham (MSA), and the Essex County (MSA) for 2010 and 2011. The income figures are based on median family income derived from data collected during the census for the respective MSA.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

### *Residential Lending*

The following table shows, by number, HMDA reportable loans to low-, moderate-, middle- and upper-income borrowers compared to the aggregate and the percentage of total families within the assessment area in each respective income group.

<b>Table 5 - Distribution of HMDA Loans by Borrower Income Category</b>							
Borrower Income Level	% of Fam. by Inc. Category (2010)	% of Fam. by Inc. Category (2011)	2010		2011 Aggregate Lending Data (%)	2011	
			#	%		#	%
Low	22.1	25.1	36	6.5	6.4	37	6.4
Moderate	18.4	18.7	123	22.0	18.7	114	19.8
Middle	22.5	21.5	175	31.4	27.2	173	30.0
Upper	37.0	34.7	224	40.1	47.7	253	43.8
Total	100.0	100.0	558	100.0	100.0	577	100.0

*Source: 2010 and 2011 HMDA Data and 2000 U.S. Census*

The Credit Union originated 73 HMDA reportable loans to low-income borrowers, representing 6.4 percent of total originations and 237 loans to moderate-income borrowers, representing 20.9 percent. The Credit Union's percentage of lending to low-income borrowers matched the

aggregate's lending performance in 2011, at around 6.4 percent. In 2010, the Credit Union's lending to low-income borrowers was comparable to 2011 performance, accounting for 6.5 percent of total originations. Performance levels for 2010 and 2011 were below the demographic proportion of low-income families within the assessment areas for the respective years. Low-income originations for the first three quarters of 2012 were comparable, with a proportion of 6.2 percent.

With respect to moderate-income borrowers, the Credit Union's 2011 performance slightly exceeded that of aggregate lenders at 19.8 and 18.7 percent, respectively. This represents a decrease in proportion to the volume of loans originated to the same income level of borrowers from 2010, when 22.0 percent of originations were made to moderate-income borrowers. However, in both 2010 and 2011, Credit Union performance exceeded the demographic proportion of moderate-income families. Moderate-income originations for the first three quarters of 2012 exhibit an increase from 2011, with 23.9 percent.

### *Indirect Auto Lending*

Refer to Table 6 for specific data on the borrower distribution of indirect auto loans for 2011 within the assessment area compared to total households by income level.

<b>Table 6 - Distribution of Auto Loans by Borrower Income Category</b>			
Borrower Income Level	% of Households within the Inc. Category	2011	
		#	%
Low	27.8	4	25.0
Moderate	16.3	7	43.8
Middle	18.0	1	6.2
Upper	37.9	4	25.0
Total*	100.0	16	100.0

*\*Source: 2011 sample of Auto loan data collection and 2000 US Census*

As reflected in the table above, the Credit Union extended 25 percent of the sampled auto loans to low-income borrowers in 2011. This performance is comparable to the percentage of low-income households in the assessment area at 27.8 percent. With regards to moderate-income borrowers, 43.8 percent of the Credit Union's auto loans were extended to people within this income category during 2011. This exceeds the proportion of moderate income households in the area, at 16.3 percent. In 2012, the loans to low- and moderate-income borrowers each represented 25.0 percent of the auto loans sampled. While auto lending trends meet low-income and exceed moderate-income area demographics, this is mitigated by the fact that consumer loans, in general, are more likely to include the income of one member of a household. As a result, consumer lending performance usually skews toward originations to applicants recognized within low- and moderate-income categories.

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income).

## **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

The Credit Union's lending activity in the assessment area was reviewed in order to determine the distribution of lending among the various census tracts. As mentioned previously, the Credit

Union's assessment area contains 544 census tracts, comprised of 65 low-income census tracts, 166 moderate-income census tracts, 215 middle-income census tracts, and 97 upper-income census tracts. There is one census tract with no applicable income characteristic. An analysis of the distribution of HMDA loans and a sample of 50 auto loans for 2011 by census tract income was found to have an adequate dispersion in the assessment area.

### *Residential Lending*

The following table presents the Credit Union's HMDA reportable lending performance as well as the 2011 aggregate data (exclusive of Metro Credit Union). The table also reflects the percentage of owner-occupied housing units in each of the census tract income categories.

<b>Table 7 - Distribution of HMDA Loans by Census Tract Income Category</b>							
Census Tract	% of Owner Occ Housing (2010)	% of Owner Occ Housing (2011)	2010		2011 Aggregate Lending Data (%)	2011	
			#	%		#	%
Low	1.4	2.7	4	0.7	2.6	5	0.9
Moderate	17.2	21.2	84	14.8	16.8	101	17.1
Middle	56.6	50.8	358	63.0	49.1	318	54.0
Upper	24.8	25.3	122	21.5	31.5	165	28.0
Total	100.0	100.0	568	100.0	100.0	589	100.0

*Source: 2010 and 2011 HMDA Data and 2000 U.S. Census*

During the period reviewed, the Credit Union originated 9 HMDA reportable loans in low-income census tracts and 185 loans in moderate-income census tracts. As shown above, the percentage of the Credit Union's 2011 lending activity in low-income tracts is below the 2011 aggregate data. The Credit Union originated 0.9 percent of its loans in low-income census tracts while the aggregate originated 2.6 percent. The Credit Union's performance in 2010 was comparable in both proportion and volume. Compared to demographics for 2010 and 2011, the Credit Union was below the proportion of owner-occupied housing within low-income census tracts. Performance in 2012 exhibited significant improvement, as in the first three quarters the Credit Union originated 3.9 percent of its loans in low-income census tracts.

The Credit Union's moderate-income census tract lending levels in 2011 are slightly above aggregate data and also represented an increase from 2010, from 14.8 to 17.1 percent. For both 2010 and 2011, the Credit Union's proportion of loans originated within moderate-income areas was below the demographic proportion of owner-occupied housing in the same areas. Performance in 2012 was comparable to 2011, with 17.9 percent of originations located in moderate-income census tracts

The increase in the proportion of low- and moderate-income census tracts suggests the Credit Union's seemingly low performance compared to the aggregate may be a result of the 2011 assessment area change. The majority of the increase in low- and moderate-income census tracts is most likely a result of the addition of municipalities like Boston, an area with minimal branch presence until mid-2011. The improved performance in 2012 supports this premise.

### *Indirect Auto Lending*

The following table shows the geographic distribution of auto loans within low-, moderate-, middle- and upper-income census tracts in comparison to the percentage of total households within the assessment area in each respective census tract income category.

<b>Table 8 - Distribution of Auto Loans by Income Category of the Census Tract</b>			
Census Tract Income Level	% of Households within each tract	2011	
		#	%
Low	7.9	1	6.3
Moderate	31.0	4	25.0
Middle	42.1	8	50.0
Upper	19.0	3	9.7
Total*	100.0	16	100.0

*\*Source: 2011 Auto loan data collection.*

The Credit Union extended 6.3 percent of mortgage loans in low-income census tracts during 2011. The Credit Union's low-income census tract lending performance at 6.3 percent is slightly lower than the proportion of households in the low-income census tract, at 7.9 percent. The 2012 sample had no loans originated within low-income census tracts.

The Credit Union extended 25.0 percent of auto loans to moderate-income census tracts during 2011. The Credit Union's moderate-income census tract lending performance at 25.0 percent is lower, but comparable with the proportion of households in the same areas, at 31.0 percent. The proportion of lending within the areas increased from 2011 to 2012 based on their samples, 25.0 to 37.4 percent, respectively.

Based on the information above, the geographic distribution of loans represents reasonable dispersion throughout the assessment area.

## **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

A thorough review of the public comment file revealed that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination.

The Credit Union's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3 101, the Division's Community Reinvestment and Fair Lending Policy. Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Credit Union's Loan Policy includes a written fair lending policy statement which the Board of Directors reviews and approves annually. The loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). The Credit Union has a second review procedure in place whereby all denied applications are reviewed by either the Assistant Vice President of Mortgage Operations or the Head of Underwriting. Additionally, the Senior Vice President of Strategic Initiatives samples originated mortgage loans on a quarterly basis to ensure that underwriting standards have been applied equally to all applicants. All exceptions to policy are reviewed and ratified by the Credit Committee.

Metro Credit Union uses online resources to offer seminars to Credit Union officers and staff regarding compliance with the Home Mortgage Disclosure Act (HMDA), Equal Credit Opportunity Act (ECOA), and other fair lending laws and regulations. In addition, the Credit Union is a member

of the Massachusetts Credit Union League, Inc. and sends its staff to attend seminars on applicable compliance laws and regulations.

## MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable applications the Credit Union received from minority applicants. In 2010 and 2011, the Credit Union received 1,875 residential loan applications from within its assessment area. During this period, 239 applications, or 12.8 percent were received from minorities and 102 or 5.4 percent of applicants were from individuals of Hispanic or Latino ethnic backgrounds. Of the 239 applications received from minorities, 178 or 74.5 percent were originated. Of the 102 applications received from Hispanic or Latino applicants, 40 applications or 39.2 percent were originated. A comparative review of denied minority applicant files was also conducted and revealed no evidence of disparate treatment.

Refer to the following table for further details.

MINORITY APPLICATION FLOW							
RACE	Credit Union 2010		2011 Aggregate Data	Credit Union 2011		Credit Union TOTAL	
	#	%	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	3	0.3	0.2	3	0.3	6	0.3
<i>Asian</i>	42	4.7	6.6	73	7.4	115	6.1
<i>Black/ African American</i>	38	4.3	2.3	46	4.7	84	4.5
<i>Hawaiian/Pac Isl.</i>	2	0.2	0.1	1	0.1	3	0.2
<i>2 or more Minority</i>	0	0.0	0.0	1	0.1	1	0.1
<i>Joint Race (White/Minority)</i>	7	0.8	1.4	23	2.3	30	1.6
<b>Total Minority</b>	<b>92</b>	<b>10.3</b>	<b>10.6</b>	<b>147</b>	<b>14.9</b>	239	12.7
<i>White</i>	746	83.6	62.4	726	73.9	1,472	78.5
<i>Race Not Available</i>	54	6.1	27.0	110	11.2	164	8.7
<b>Total</b>	<b>892</b>	<b>100.0</b>	<b>100.0</b>	<b>983</b>	<b>100.0</b>	1,875	100.0
ETHNICITY							
<i>Hispanic or Latino</i>	38	4.3	3.1	44	4.5	82	4.4
<i>Not Hispanic or Latino</i>	788	88.3	69.2	813	82.7	1,601	85.4
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	8	0.9	0.9	12	1.2	20	1.0
<i>Ethnicity Not Available</i>	58	6.5	26.8	114	11.6	172	9.2
<b>Total</b>	<b>892</b>	<b>100.0</b>	<b>100.0</b>	<b>983</b>	<b>100.0</b>	1,875	100.0

Source: US Census, 2010, 2011 HMDA/ LAR, 2011 HMDA Aggregate Data

In order to derive reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants, the Credit Union's minority application flow in each year was compared with the racial and ethnic composition of the assessment area and the 2011 aggregate data for all other HMDA reporters within the assessment area. The most recent comparative data available for aggregate performance levels in relation to the Credit Union's performance is calendar year 2011.

According to 2000 Census Data, the Credit Union's 2010 assessment area contained a total population of 1,486,353 individuals, 19.8 percent of which is representative of various racial and ethnic minorities. The breakout of the assessment area's minority population is as follows: 8.9 percent Hispanic, 2.3 percent "other race," 4.9 percent Asian, 3.5 percent Black, and 0.2 percent American Indian/ Alaska Native/Native Hawaiian/Other Pacific Islander.

Following assessment area changes in 2011, the total population expanded to 2,440,789 individuals, and approximately 27.6% minority. The breakout of the assessment area's minority population is as follows: 10.1 percent Hispanic, 2.8 percent "other race," 6.2 percent Asian, 8.3 percent Black, and 0.2 percent American Indian/ Alaska Native/Native Hawaiian/Other Pacific Islander.

In 2011, the Credit Union received approximately 14.9 percent of all applications from minority individuals; well above the 2011 aggregate data at 10.6 percent. The Credit Union's percentage of applications from ethnic minority applicants was also above the aggregate in 2011 at 5.7 percent and 4.0 percent, respectively. Ethnic and minority application flow increased in all areas compared to 2010, due in part to the assessment area changes.

## **COMMUNITY DEVELOPMENT TEST**

Overall, Metro Credit Union's community development test demonstrates a very good performance related to serving the community development needs of its assessment area through community development loans, qualified investments and grants, and community development services.

### ***I. Community Development Loans***

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Credit Union for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Credit Union's assessment area or a broader statewide or regional area that includes the Credit Union's assessment area.

The level of the Credit Union's community development lending is good. Since the previous examination, the Credit Union originated 7 loans totaling \$7.2 million. This represents significant improvement since the previous evaluation as the Credit Union originated no qualified Community Development loans. The Credit Union's commitment to improving its Community Development lending is evident through its efforts.

A sample of Community Development loans includes:

- During November 2010, Metro Credit Union provided a \$500,000 business line of credit to a local nursing home in Chelsea. The mission of this organization is to provide the highest quality compassionate care to all residents regardless of social, religious, or economic background. Approximately 75% of the residents qualify as low-income. An additional \$1 million line of credit was extended to the same organization in November 2012. During March 2011, the Credit Union granted the organization a \$3,800,000 Commercial Real Estate Loan.
- During September 2011, Metro Credit Union granted a \$1,000,000 commercial real estate loan to a local neighborhood developer in Chelsea. This loan is being used to refinance multifamily properties in Chelsea and Revere after their renovation. This is a 501(c)3 organization that develops affordable housing in Chelsea and surrounding areas. The loan helps the organization serve the needs of low- and moderate-income tenants.



- During January 2012, the Credit Union granted a \$490,000 loan to a local nonprofit to refinance a multifamily property in Lynn that serves the rental needs of low- and moderate-income tenants.

## ***II. Community Development Investments***

A qualified investment for purposes of this CRA evaluation is a lawful investment, donation, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

During the examination period, the Credit Union demonstrated a good level of qualified CRA investments. The Credit Union's qualified CRA investments totaled \$136,599. Donations were made to agencies that promote education, youth programs and health and human services for individuals in need. Following is a sample of organizations that received donations:

**The Salvation Army** - This organization offers programs that feed the hungry and provide housing for the homeless.

**Citizens for Adequate Housing Inc.** - This organization's mission is to prevent homelessness for families from the North Shore and Eastern Massachusetts. Families which are facing emergency need of housing can find a temporary home at its "Inn Between" shelter.

**Massachusetts Coalition for the Homeless** – This organization is a leader in developing innovative advocacy and programming on homelessness prevention, affordable housing, and meeting the basic needs. These efforts result in measurable outcomes and community impact. The Coalition embraces a collaborative approach to unify people and mobilize resources to support its mission to end homelessness throughout the Commonwealth.

**Lawrence Community Works (LCW)** – LCW is a non-profit community development corporation working with residents and other stakeholders to transform and revitalize the physical, economic, and social landscape of Lawrence. They do this with a growing network of Lawrencians who are building family and community assets, providing each other with mutual support, developing leadership skills, and engaging in collective action to advance an agenda for positive growth and change.

**Centro Latino** – This organization is a multi-service, community based, human services organization whose mission is to improve the quality of and promote the self determination of Latinos and immigrants in Eastern Massachusetts.

**Compass Working Capital** – This organization provides incentive based savings and financial coaching programs that enable low-income families to access opportunities, build assets, and achieve financial aspirations. Also, this organization seeks to catalyze and expand asset building opportunities for low-income families by sharing innovative, replicable ideas that help place families on the pathway to economic security.

**The Midas Collaborative** – Midas is a statewide network of innovative community groups increasing economic stability in Massachusetts through financial education, personal savings, and access to wealth-building assets such as homes, cars, college educations, and small business.

**Lynn Community Health Center (LCHC)** – LCHC’s purpose is to provide comprehensive health care of the highest quality for everyone in the Greater Lynn Community, regardless of ability to pay.

**Lynn Hispanic Scholarship Fund, Inc.** – This organization’s mission is to provide annual scholarships to students graduating from different Lynn High Schools. Recipients are chosen based upon academic achievement, personal strengths, community services, and financial need.

### ***III. Community Development Services***

The CRA regulation defines a community development service as an activity having community development as its primary purpose and related to the provision of financial services.

The level of the Credit Union’s community development services is strong and demonstrates their efforts in providing services in their assessment area. Detailed below are the Credit Union’s qualified community development services:

#### **Involvement in Community Organizations**

**Families United for Educational Leadership (FUEL)** – FUEL believes that higher education is attainable for all, regardless of income, and that family engagement is crucial to students’ educational achievement. Working with community partners, FUEL provides knowledge, resources, connections, and financial incentives that empower parents to propel their children into higher education. The Credit Union’s President and CEO serves on the Board of this organization.

**Bunker Hill Community College** – The Business Development Officer serves on the Adult Education Advisory Board and sponsored a grant proposal to finance research development and financial literacy education for the Chelsea Latino Community.

**Centro Latino** – This agency’s main objective is to deliver services that are culturally relevant to immigrants and low-income families in the Greater Boston area. A Branch Manager is a Board Member and actively participates in events such as fundraisers.

**Chelsea Collaborative** – The mission statement of this organization is “To empower Chelsea residents and Chelsea organizations to enhance the social, environmental and economic health of the community and its people. The Collaborative carries out its mission through community organizing, technical assistance, program development and information dissemination.” A Branch Manager serves as Vice President of the Board for this organization.

**Chelsea Neighborhood Developers** – The mission of this organization is “to invest in the process of building healthy neighborhoods by promoting affordable housing, desirable public spaces and resident prosperity and leadership.” The Credit Union assisted in selling affordable housing, provided onsite foreclosure counseling, reviewed applications for refinance possibilities, and offered a foreclosure prevention seminar. The Senior Vice President of Community Relations and Business Development served as the Treasurer of this organization during 2010 and 2011 and currently serves as the President.

**Massachusetts Credit Union League** - In 1989, this organization formed the Credit Union Affordable Housing/Homeless Trust. Through a variety of annual events and activities, the Trust

provides a vehicle through which credit unions of Massachusetts can combine resources to address the needs of homeless families and children. The Trust's partner in this effort is the Massachusetts Coalition for the Homeless. The Credit Union's President/CEO was Chairman of the League during 2009 and continues to be a member of the Board.

**Chelsea Community Fund** – This organization's mission is to create awareness about domestic violence through family oriented activities. A Credit Union Branch Manager is a Board Member and is involved in reviewing grant proposals and determinations.

Many of the Credit Union's executives and employees serve on the Chambers of Commerce throughout the assessment area, specifically where the Credit Union has physical branch locations. These organizations were established to promote local businesses and economic development. Many of the Credit Union's employees hold leadership positions in these organizations such as Treasurer, Secretary, and Board members.

### **Educational Seminars/Programs**

In addition to the involvement of the Credit Union's officers and employees in the above-mentioned organizations, the Credit Union provided community development services in the form of financial or technical education. The following are some examples:

**Chelsea Back to School Celebration (Basic Banking)** – In August 2010, the Credit Union participated in this celebration of over 1200 individuals by providing financial literacy games to school age children. The Basic Banking topics included the importance of credit and savings. Based upon Chelsea's median family income demographics in relation to the surrounding MSA, the financial education qualifies as community development.

**Department of Children and Families (Understanding Your Credit Score)** – During 2010 and 2011, the Credit Union worked with the Department of Children and Families (DCF) to provide Credit Score education to over 75 individuals. Topics covered included possible dangers, monitoring ones credit score and how to improve a damaged credit score. Seminars were conducted in DCF locations in Hyde Park, Dorchester, Haverhill, and Chelsea.

**Jordan's Boys and Girls Club (Savings Makes Cents)** - In conjunction with the Chelsea-located Boys and Girls Club, the Credit Union administered this state-sponsored educational program to over 60 students throughout 2010. Topics covered included basic banking guidance, including how to open a savings account, basic budgeting skills, and the origin of money.

**Morgan Memorial Goodwill Industries** – Metro Credit Union presented a budgeting seminar for newly single mothers in 2011. With 21 participants, the Credit Union attempted to assist these members of the community in need with the skills to live on their own.

### **Other Services/Collaborations**

**CONNECT** – CONNECT is an agency located in Chelsea, MA whose aim is to provide housing, financial, educational and employment resources, for residents who have a demonstrated need. The agency was established in view of the significant educational and economic challenges facing the area. Metro Credit Union was one of the original founders of CONNECT, along with other institutions and organizations such as Bunker Hill Community College, Centro Latino, and the Metropolitan Boston Housing Partnership. Metro Credit Union

has developed special products to support clients of CONNECT including a secured credit card for the rebuilding of credit, and short term installment loans for the purpose of ESL education, Citizenship preparation, or workforce training.

**Families United Educational Leadership (FUEL)** – As described above, FUEL is a higher education preparation program for low-income students and their families. In addition to Board of Directors involvement, Metro Credit Union also provides the transactional processing and reporting for the special education savings accounts used by FUEL participants. Total savings as of November 2012 amount to \$56,103.03.

Additionally, Metro Credit Union and Chelsea Neighborhood Developers (CND) collaborated to evolve existing programs to support financial coaching of low-income Chelsea clients who are working on improving their financial skills, behaviors, and outcomes. With the support of the National Credit Union Foundation, a financial coaching model will be developed and introduced that helps low-income residents to become fully banked, to learn essential financial management skills, and to increase earned income and to build household assets.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 200 Revere Beach Parkway, Chelsea, MA 02150."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.